

**ECONOMIC REPORT  
OF THE PRESIDENT**



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*To the Congress of the United States:*

FIFTY YEARS AGO, the CONGRESS passed and President Truman signed the Employment Act of 1946, which committed the U.S. Government to promote policies designed to create employment opportunities for all Americans. I am proud that my Administration has made President Truman's commitment a reality. Over the past 3 years, we have created a sound economic foundation to face the challenges of the 21st century.

### *Strong Economic Performance*

Overall, the American economy is healthy and strong. In the first 3 years of this Administration nearly 8 million jobs were created, 93 percent of them in the private sector. The so-called "misery index"—the sum of the inflation and unemployment rates—fell last year to its lowest level since 1968. Investment has soared, laying the basis for future higher economic growth. New business incorporations have set a record, and exports of American-made goods have grown rapidly. Ours is the strongest and most competitive economy in the world—and its fundamentals are as sound as they have been in three decades.

This turnaround occurred because of the hard work and ingenuity of the American people. Many of the new jobs are high-wage service sector jobs—reflecting the changing structure of the economy. The telecommunications, biotechnology, and software industries have led the high-tech revolution world-wide. Traditional industries, such as manufacturing and construction, have restructured and now use technology and workplace innovation to thrive and once again create jobs. For example, in 1994 and 1995, America was once again the world's largest automobile maker.

Our 1993 economic plan set the stage for this economic expansion and resurgence, by enacting historic deficit reduction while continuing to invest in technology and education. For over a decade, growing Federal budget deficits kept interest rates high and dampened investment and productivity growth. Now, our deficit is proportionately the lowest of any major economy.

Today, our challenge is to ensure that all Americans can become winners in economic change—that our people have the skills and the security to make the most of their own lives. The very explosion of technology and trade that creates such extraordinary opportunity also places new pressures on working people. Over the past

two decades, middle-class earnings have stagnated, and our poorest families saw their incomes fall. These are long-run trends, and 3 years of sound economic policies cannot correct for a decade of neglect. Even so, we are beginning to make some progress: real median family income increased by 2.3 percent in 1994, and the poverty rate fell in 1994 for the first time in 5 years.

#### *Addressing Our Economic Challenges*

I am firmly committed to addressing our economic challenges and enhancing economic security for all Americans. People who work hard need to know that they can and will have a chance to win in our new and changing economy. Our economic agenda seeks both to promote growth and to bring the fruits of that growth within reach of all Americans. Our overall strategy is straightforward:

- *Balancing the budget.* In the 12 years before I took office, the budget deficit skyrocketed and the national debt quadrupled. My Administration has already cut the budget deficit nearly in half. I am determined to finish the job of putting our fiscal house in order. I have proposed a plan that balances the budget in 7 years, without violating our fundamental values—without undercutting Medicare, Medicaid, education, or the environment and without raising taxes on working families. The plans put forth by my Administration and by the Republicans in the Congress contain enough spending cuts in common to balance the budget and still provide a modest tax cut. I am committed to giving the American people a balanced budget.
- *Preparing workers through education and training.* In the new economy, education is the key to opportunity—and the education obtained as a child in school will no longer last a lifetime. My Administration has put in place the elements of a lifetime-learning system to enable Americans to attend schools with high standards; get help going to college, or from school into the workplace; and receive training and education throughout their careers. We expanded Head Start for preschoolers; enacted Goals 2000, establishing high standards for schools; created a new direct student loan program that makes it easier for young people to borrow and repay college loans; gave 50,000 young people the opportunity to earn college tuition through community service; and enacted the School-to-Work Opportunities Act. Now we must continue to give our people the skills they need, by enacting my proposals to make the first \$10,000 of college tuition tax deductible; to give the top 5 percent of students in each high school a \$1,000 merit scholarship; and to enact the GI Bill for Workers, which would replace the existing worker training system with a flexible voucher that workers could use at community colleges or other training facilities.

- *Increasing economic security.* We must give Americans the security they need to thrive in the new economy. We can do this through health insurance reforms that will give Americans a chance to buy insurance when they change jobs or when someone in their family is sick. We can do this by encouraging firms to provide more extensive pension coverage, as I have done through my proposals for pension simplification. In addition, we should make work pay by increasing the minimum wage and preserving the full Earned Income Tax Credit (EITC), which cuts taxes for hard-pressed working families to make sure that no parents who work full-time have to raise their children in poverty.
- *Creating high-wage jobs through technology and exports.* We must continue to encourage the growth of high-wage industries, which will create the high-wage jobs of the future. We have reformed the decades-old telecommunications laws, to help spur the digital revolution that will continue to transform the way we live. We must continue to encourage exports, since jobs supported by goods exports pay on average 13 percent more than other jobs. My Administration has concluded over 200 trade agreements, including the North American Free Trade Agreement and the Uruguay Round of the General Agreement on Tariffs and Trade, seeking an open world marketplace and fair rules for exporters of American goods and services. As a result, merchandise exports have increased by 31 percent.
- *A government that is smaller, works better, and costs less.* A new economy demands a new kind of government. The era of big, centralized, one-size-fits-all government is over. But the answer is not the wholesale dismantling of government. Rather, we must strive to meet our problems using flexible, non-bureaucratic means—and working with businesses, religious groups, civic organizations, schools, and State and local governments. My Administration has reduced the size of government: as a percentage of civilian nonfarm employment, the Federal workforce is the smallest it has been since 1933, before the New Deal. We have conducted a top-to-bottom overhaul of Federal regulations, and are eliminating 16,000 pages of outdated or burdensome rules altogether. We have reformed environmental, workplace safety, and pharmaceutical regulation to cut red tape without hurting public protection. And we will continue to find new, market-based ways to protect the public.

*The Need to Continue with What Works*

As *The Annual Report of the Council of Economic Advisers* makes clear, this is a moment of great possibility for our country. Ours is the healthiest of any major economy. No nation on earth is bet-

ter positioned to reap the rewards of the new era. Our strategy of deficit reduction and investment in our people has begun to work. It would be a grave error to turn back.

Our Nation must reject the temptation to shrink from its responsibilities or to turn to narrow, shortsighted solutions for long-term problems. If we continue to invest for the long term, we will pass on to the next generation a Nation in which opportunity is even more plentiful than it is today.

A handwritten signature in black ink, reading "William Clinton". The signature is written in a cursive, flowing style with a large, prominent "W" and "C".

THE WHITE HOUSE

FEBRUARY 14, 1996